

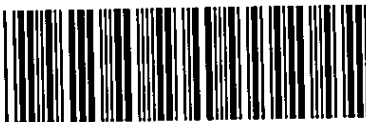
Registered Office
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Registered in England & Wales
Number 03914787

London Bus Services Limited

Annual Report and Financial Statements Year ended 31 March 2009

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Directors' Report and Business Review

Introduction

The directors present their annual report on the affairs of London Bus Services Limited together with the audited financial statements for the year ended 31 March 2009.

Principal Activity

The principal activity of the Company is to provide and secure a network of public bus passenger transport services in Greater London and supporting infrastructure. The bus services are operated by private operators which work under contract, except for a small number of routes run by Transport Trading Limited's own operating company, London Buses Limited. Revenue from passenger ticket fares on bus transport services is retained by London Bus Services Limited.

Business Review

The total number of passenger journeys for the year was 2.246 billion (2007/08 2.176 billion). Bus network income of £1,079 million for the year achieved target and was 2.1% higher than the previous year of £1,057 million. After taking into account grant received in support of operations, this year resulted in a profit of £Nil (2007/08 £Nil).

The bus network has received its best customer satisfaction survey results to date, reflecting improved helpfulness of front-line staff and cleaner bus station facilities. A trial was launched of live on-bus CCTV cameras on a bus route, linked to CentreComm (the London Buses command and control centre), in line with Mayoral commitments on crime prevention initiatives. At the end of the year there were 56 hybrid buses operating within the bus network as part the ongoing trial of this technology.

Roll out of new "on bus" passenger information services continued during the year, with 99% of London's buses upgraded with iBus - our new Automatic Vehicle Location (AVL) radio system and on-bus next stop signs (OBNSS) and announcements. Over 23,000 bus operator staff were trained, over 680 bus routes surveyed and tested to provide a service delivering both visual and audible real time information about the route including the final destination and next stop names to the passengers.

A competition was launched during the year to harvest ideas and concepts for the New Bus for London. These ideas have now been passed to the bus manufacturers as part of the tendering process which will award a contract to design a new iconic bus for central London.

Directors

The directors who served during the year were:

D.A. Brown
R. W. Hallé
D. Hendry
C. Kavanagh
M.J. Weston

Directors' Report and Business Review (continued)

Directors (continued)

The Company maintains directors' and officers' liability insurance.

None of the directors had any beneficial interest in the shares of London Bus Services Limited or its parent company.

Risk Management

London Bus Services Limited identifies, manages and mitigates significant areas of business risk as part of the normal course of business. The London Bus Services Limited Business Risk Management framework is set up to complement the basic management of risk by the business and to provide a framework for the organisation to ensure that the business risks are appropriately identified, regularly reviewed and progress tracked on the management of key business risks.

The risks that the Company is exposed to include safety, terrorism, employee relations, reputation and financial. All key business risks are recorded on a risk register. For each risk, an owner has been identified who is responsible for implementing the mitigation strategy which has been identified.

The London Bus Services Limited Strategy Board, comprising the directors, are responsible for overseeing the risk process. The Business Risk Register, mitigation measures and identified actions are reviewed to monitor how key business risks are managed and mitigated.

Health and Safety

London Bus Services Limited is committed to continuous improvement in health and safety performance. In addition to safety management as part of the normal business activity, safety objectives are identified and regularly reviewed to form short and longer term plans to improve safety and security for customers, employees and contractors as part of the regular London Bus Services Limited safety co-ordination meeting chaired by the Operations Director. In conjunction with the Transport Policing and Enforcement Directorate of Transport for London, the Directors of London Bus Services Limited liaise closely with the Metropolitan Police Transport Operational Command Unit who provide dedicated policing for the bus network.

Employee Involvement and Communications

London Bus Services Limited recognises the role of its employees in enabling the Company to achieve its business objectives. This is reflected in the Board's commitment to equal opportunities and effective employee communications.

Consultation on issues affecting the workforce also takes place at regular intervals with representatives from the Company and trades unions.

Directors' Report and Business Review (continued)

Disabled Employees

London Bus Services Limited values the diversity which exists in our city and aspires to this being reflected in our workforce. This is reflected not only in our recruitment and selection processes, but also throughout the employment cycle of every member of staff. We are committed to comply with our legal responsibilities under the Disability Discrimination Act to make "reasonable adjustments" to a person's working conditions wherever possible.

Charitable and Political Donations

No charitable or political donations were made in the year (2007/08 £Nil).

Dividends

It is not proposed to declare a dividend for the year (2007/08 £Nil).

Payment of Suppliers

Appropriate terms and conditions are agreed with suppliers. These range from standard terms to individually negotiated contracts, for example PFI contracts. Payment is made in accordance with those terms and conditions, provided that the supplier has also complied with them. At the year end, the amount owed to trade creditors was equivalent to 10 days (2007/08 17 days) of purchases from suppliers. This is calculated from the energy, materials and services invoiced in the year and the invoices outstanding at the year end.

Corporate Governance

London Bus Services Limited is a wholly owned subsidiary of Transport Trading Limited, which in turn is controlled by Transport for London, which appoints all the directors of the Company. The Board of London Bus Services Limited, through its Articles and Memorandum of Association and management structure, implements the corporate aims and controls laid down by Transport for London. Particulars in respect of corporate governance can be found in Transport for London's Annual Governance Statement.

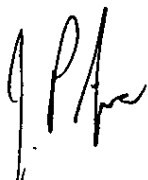
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' Report and Business Review (continued)

Auditors

Pursuant to shareholders' resolution, the Company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

Signed by order of the Board by:

A handwritten signature in black ink, appearing to read 'J. Pipe', is written over the printed name.

J. Pipe
Company Secretary
17 June 2009

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss for the financial year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The above statement should be read in conjunction with the statement of the auditors' responsibilities set out on page 6.

Independent Auditors' Report

To the Members of London Bus Services Limited

We have audited the financial statements of London Bus Services Limited for the year ended 31 March 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditors' Report (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009 and of its result for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

15 May

2009

Profit and Loss Account

Year ended 31 March

	Note	2009 £m	2008 £m
Turnover	1	1,119.4	1,092.8
Cost of operations	2	(1,837.9)	(1,752.0)
Other operating income – grants	6	722.0	661.5
Operating profit		3.5	2.3
Profit on disposal of assets	7	0.2	-
Profit on ordinary activities before interest and taxation		3.7	2.3
Interest payable	8	(3.7)	(2.3)
Profit before taxation		-	-
Taxation	9	-	-
Profit for the year	19	-	-

The results above are all derived from continuing operations.

There is no difference between the amounts shown above and their historic cost equivalents.

Statement of Total Recognised Gains and Losses

<i>Year ended 31 March</i>		2009	2008
	<i>Note</i>	£m	£m
Profit for the year		-	-
Revaluation of tangible fixed assets	20	<u>0.4</u>	<u>-</u>
Total recognised gains relating to the year		<u>0.4</u>	<u>-</u>

Balance Sheet

At 31 March

		2009	2008
	Note	£m	£m
Fixed assets			
Tangible fixed assets	10	249.5	209.8
Investments	11	-	-
Total fixed assets		249.5	209.8
Current assets			
Stocks	12	0.1	0.2
Debtors	13	98.7	87.1
Cash at bank and in hand		0.1	0.1
Total current assets		98.9	87.4
Creditors: amounts falling due within one year	14	(124.9)	(107.0)
Net current liabilities		(26.0)	(19.6)
Total assets less current liabilities		223.5	190.2
Creditors: amounts falling due after more than one year	15	(130.0)	(91.2)
Provisions for liabilities and charges	16	(1.0)	(2.9)
Deferred income	17	(86.0)	(90.0)
Net assets		6.5	6.1
Capital and reserves			
Called up share capital	18	1.0	1.0
Revaluation reserve	19	0.8	0.4
Other reserve	19	4.7	4.7
Profit and loss account	19	-	-
Equity shareholders' funds	20	6.5	6.1

These financial statements were approved by the Board on 17 June 2009 and signed on its behalf by



D. Hendry
Director

Accounting Policies

a) Form and content of financial statements

These financial statements have been prepared under the historical cost convention, except as described in note (d) below, and in accordance with applicable accounting standards.

The main accounting policies are set out below and these have been applied consistently in dealing with items which are considered material.

The Company is exempt from the requirement of FRS 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Transport Trading Limited and its cash flows are included within the consolidated financial statements of that company which are publicly available.

The Company is exempt from the requirement to produce group accounts as it is a wholly owned subsidiary of Transport Trading Limited.

At 31 March 2009, the company had net current liabilities of £26.0 million (2008: £19.6 million). The company is dependent on grant received from Transport for London to support its operations. Taking into account future anticipated grant support the directors believe that the company is a going concern and have prepared the accounts on that basis.

b) Turnover

Turnover comprises the value of sales of services or goods in the normal course of business (excluding Value Added Tax) which is principally passenger fares income from bus transport in the Greater London area and includes amounts receivable from the London Borough Councils and County Authorities in respect of free and reduced fare travel for the elderly and disabled. Revenue is recognised on an earned basis and revenue received in advance is spread over the period to which it relates. Turnover earned by franchisees, or contractors, providing transport services on behalf of the Company is not taken into account, except in the limited circumstances where the Company shares the risk of revenue volatility with the franchisee.

c) Grants

All grants receivable from Transport for London are available both to finance investment and to fund operations and are classified as Government grants. Grants in respect of fixed assets are held in the balance sheet as deferred income and are released to the profit and loss account over the expected useful economic lives of assets in line with the depreciation charge. Third party contributions towards capital expenditure are similarly treated. Grants to fund operations are credited to the profit and loss account on an accruals basis.

Accounting Policies (continued)

d) Tangible fixed assets – valuation and depreciation

Infrastructure

This consists of land, bus stations, bus stands and bus shelters. Infrastructure assets are carried at their cost to the Company.

Plant and equipment

These assets are carried at cost written down to reflect their remaining estimated useful economic lives.

Other property

These assets consist of business properties, used by the Company for its own purposes, which are not limited in their future use by operational constraints or requirements and which are not integral to the infrastructure (e.g. offices).

These properties are valued at open market value as at 31 March 2009 by the Director of TfL Group Property and Facilities and by suitably qualified TfL staff. Business properties are valued on an existing use basis. Investment properties are valued with additional consideration of alternative use. Revaluation gains are recognised in the profit and loss account only to the extent that they reverse losses on the same assets that were previously recognised in the profit and loss account. All other revaluation gains are recognised in the revaluation reserve.

Revaluation losses caused by a consumption of economic benefits are recognised in the profit and loss account. Other revaluation losses are taken to the revaluation reserve until the carrying amount equates to the depreciated historical cost. Thereafter, revaluation losses are recognised in the profit and loss account. Sales of properties are recognised on the exchange of contracts and the net profit, after charging any related costs, is credited to profit and loss account.

Assets in course of construction

These assets are carried at cost and are not depreciated until they are available for customer service. They are principally expenditure on new bus shelters and the iBus project.

Depreciation

Assets are depreciated on a straight-line basis over their estimated useful lives, which are reviewed regularly, and which for the major categories fall in the following ranges:

Infrastructure	Between 10 and 30 years
Other property	Between 20 and 50 years
Plant and equipment	Between 3 and 40 years

e) Stocks

Stocks consist of general parts for maintenance of bus communications equipment which are valued at cost less provision for obsolescence.

Accounting Policies (continued)

f) Insurance

The TfL Group maintains certain insurance policies on behalf of TfL and all subsidiary companies for damage to and loss of owned/ third party property and for its potential liabilities to employees and third parties. In addition, the Company selectively self-insures its exposures under the above policies and to other risks. Provision is made for the estimated value of the Company's liability in respect of self-insured claims.

g) Pensions

The majority of employees are members of a defined benefit scheme to which the Company contributes. However, it is not possible for the Company to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and, as permitted by the multi-employer exemption in FRS 17, it is accounted for as defined contribution scheme. The Company's contributions are charged to the profit and loss account as incurred. The disclosures required under FRS 17 are given in Note 5.

h) Deferred taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but have not been reversed by the balance sheet date, except as otherwise required by FRS 19.

i) Leases

The Company has entered into Private Finance Initiative (PFI) agreements. Each PFI agreement has been analysed to determine where the balance of the risks and rewards lies. Where substantial risks are retained by the private sector, these transactions are accounted for as operating leases and the assets provided are, therefore, not included in the balance sheet. Where the risks and rewards under the agreements lie with the Company, the transactions are accounted for as finance leases. Any assets created are capitalised in the balance sheet and depreciated over their estimated useful lives. Finance charges are allocated over the period of the contract in proportion to the capital element outstanding.

The Company has also entered into operating leases in respect of properties and motor vehicles. Rentals payable under operating leases (including certain PFI agreements) have been accounted for in the period to which they relate.

Notes to the Financial Statements

1 Turnover

<i>Year ended 31 March</i>	2009	% of	2008	% of
	£m	total	£m	Total
Traffic revenue				
Fares	888.4	79.4%	883.0	80.8%
Revenue in respect of free travel for the unemployed, elderly and disabled	184.9	16.5%	169.0	15.5%
Other	5.3	0.5%	5.3	0.5%
	<u>1,078.6</u>	<u>96.4%</u>	<u>1,057.3</u>	<u>96.8%</u>
Other revenue				
Rents receivable	3.0	0.3%	2.7	0.2%
Commercial advertising receipts	16.0	1.4%	14.2	1.3%
Intercompany revenue	18.7	1.6%	15.0	1.4%
Other	3.1	0.3%	3.6	0.3%
	<u>40.8</u>	<u>3.6%</u>	<u>35.5</u>	<u>3.2%</u>
Total turnover	<u>1,119.4</u>	<u>100%</u>	<u>1,092.8</u>	<u>100.0%</u>

The Company's business is wholly undertaken in the UK.

Notes to the Financial Statements

2 Cost of operations

<i>Year ended 31 March</i>		2009	2008
	<i>Note</i>	£m	£m
Staff costs:			
Wages and salaries		31.2	30.7
Social security costs		2.6	2.6
Pension costs	5	6.9	6.5
		40.7	39.8
PFI charges and operating lease rentals	22	20.1	20.2
Supplies and services		1,766.1	1,686.7
Cost of operations before depreciation and grants		1,826.9	1,746.7
Depreciation for the period:			
- on the historical cost of depreciated fixed assets	10	19.3	18.2
Release of grant to meet the depreciation charge on the historic cost of depreciated fixed assets	17	(8.3)	(12.9)
Total cost of operations		1,837.9	1,752.0
		2009	2008
		£'000	£'000
The supplies and services include the following amounts:			
Auditors' remuneration			
Audit of these financial statements		45.0	43.0

3 Average number of employees

<i>Year ended 31 March</i>	2009	2008
	Number	Number
Bus operations	846	851

Notes to the Financial Statements

4 Directors' emoluments

Directors received emoluments from the Company, including salaries, fees, benefits in kind and other emoluments totalling £293,532 (2007/08 £299,613). The Company made contributions totalling £22,654 (2007/08 £92,576) to a defined contribution scheme on behalf of two of the directors (2007/08 two). Both of the directors were members of the TfL Pension Fund for both 2008/09 and 2007/08. The highest paid director received £149,406 (2007/08 £155,292), a contribution to a defined contribution scheme of £12,320 (2007/08 £44,287), and had accrued an annual pension of £48,980 (2007/08 £45,313) in the TfL defined benefit pension fund at the end of the year. Directors' emoluments and benefits were borne by the Company's parent for all other directors.

5 Pensions

Background

The Company offers retirement plans to its employees. The majority of the Company's staff are members of the Public Sector Section of the TfL Pension Fund. This scheme, to which the Company contributes, is a defined benefit scheme where the benefits are based on employees' length of service and final pensionable pay. The scheme is established under trust. The Fund's Trustee is the TfL Trustee Company Limited, a wholly owned subsidiary of Transport for London. Under the rules of the Fund, its 18 trustee directors are nominated in equal numbers by Transport for London and on behalf of the Fund's membership. Transport for London and the Company's fellow subsidiaries also participate in the Public Sector Section and it is not possible to identify the Company's share of the underlying assets and liabilities.

The Fund's Actuary makes periodic valuations and recommends the level of contributions to be made by the participating employers to ensure long-term solvency of the Fund. The latest valuation of the Fund was carried out as at 31 March 2006 by the Actuary, a partner of consulting actuaries Watson Wyatt, using the projected unit method.

The level of contributions paid by the employer is 31.0% of pensionable pay.

Accounting

A separate valuation of the Public Sector Section has been prepared for accounting purposes on a FRS 17 basis as at 31 March 2009.

It is not possible to identify the Company's particular share of the Public Sector Section's assets and liabilities on a consistent and reasonable basis, and as permitted by the multi-employer exemption in FRS 17, it is accounted for as if it were a defined contribution scheme. The Company's contributions to the Public Sector Section of £6.9 million (2007/08 £6.5 million) have been charged to the profit and loss account.

FRS 17 specifies how key assumptions should be derived and applied. These assumptions are often different to the assumptions adopted by the pension scheme actuary and trustees in determining the funding position of pension schemes.

Notes to the Financial Statements

5 Pensions (continued)

Accounting (continued)

The FRS 17 valuation is broadly based on the Public Sector Section's assets being valued at market value at the balance sheet date with the Section's liabilities being discounted at the rate of return on high quality corporate bonds of equivalent term to the liabilities. The major assumptions used in this valuation were:

<i>At 31 March</i>	2009	2008	2007
	%	%	%
Inflation	2.90	3.60	3.10
Rate of increase in salaries	3.65	5.10	4.60
Rate of increase in pensions in payment and deferred pensions	2.90	3.60	3.10
Discount rate	6.90	6.80	5.35
Investment return	6.40	6.80	6.90

The fair value of the Public Sector Section's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the Public Sector Section's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were as shown below. Also shown are the expected long term rates of return which are the best estimates chosen from a range of possible assumptions and, due to the time-scale covered, may not necessarily be borne out in practice.

<i>At 31 March</i>	2009	Value at	2008	Value at	2007	Value at
	Expected	31 March	Expected	31 March	Expected	31 March
	return	£m	return	£m	return	£m
	% pa		% pa		% pa	
Equities	8.0	1,957.2	8.2	2,305.0	8.1	2,576.7
Bonds	4.3	1,171.7	4.9	1,605.3	4.9	1,421.7
Cash, property and other assets	3.7	266.5	5.2	168.7	4.6	101.8
Total market value of assets		3,395.4		4,079.0		4,100.2
Actuarial value of Section liabilities		(4,415.8)		(4,675.7)		(5,034.2)
Deficit in the Fund		(1,020.4)		(596.7)		(934.0)

The figures above include the assets and liabilities of the entire Public Sector Section of the TfL Pension Fund, and include members who are employed by, and whose contributions are made by Transport for London and its subsidiaries. This is because, as stated above, it is not possible to identify the Company's particular share. Further details of the Public Sector Section's position can be found in the Statement of Accounts of Transport for London.

Notes to the Financial Statements

6 Allocation of grants received

Year ended 31 March

	Note	2009 £m	2008 £m
Grant from Transport for London to fund operations		722.0	661.5
Capital grant received from Transport for London	17	0.9	-
Capital grant from third parties	17	3.4	-
Grant received		<u>726.3</u>	<u>661.5</u>

7 Profit on disposal of assets

Year ended 31 March

		2009 £m	2008 £m
Proceeds on disposal of fixed assets		0.2	0.1
Capital grant released	17	-	(0.1)
Profit on disposal		<u>0.2</u>	<u>-</u>

8 Interest payable

Year ended 31 March

	2009 £m	2008 £m
Intercompany interest on long term borrowings	<u>3.7</u>	<u>2.3</u>

The interest rates being charged on these loans range between 4.32% and 5.00%.

Notes to the Financial Statements

9 Taxation

The Company is assessable to taxation in accordance with the Income and Corporation Taxes Act. No liability for corporation tax arises in respect of the current year (2007/08 £Nil).

A reconciliation with the profit before taxation is as follows:

<i>Year ended 31 March</i>	2009 £m	2008 £m
Profit before taxation	-	-
Profit multiplied by the standard rate of corporation tax in the UK of 28% (2007/08 30%)	-	-
Effects of:		
Capital allowances for the year lower than depreciation	3.6	2.2
Other timing differences	-	0.1
Group relief claimed	(3.6)	(2.3)
Current tax charge for the year	-	-

At 31 March 2009, the Company had a potential deferred tax asset in respect of capital allowances of £8.9 million (2007/08 £3.2 million). No deferred tax asset is accounted for, as it is not believed that such an asset would be recoverable in the foreseeable future. The full potential liability for deferred taxation in respect of potential capital gains on revalued fixed assets has not been quantified as no tax liability is expected to arise due to the availability of rollover relief.

Notes to the Financial Statements

10 Tangible fixed assets

	Infrastructure	Investment property	Plant and equipment	Assets in course of construction	Total
Note	£m	£m	£m	£m	£m
Gross valuation					
Balance at 1 April 2008	158.1	2.8	112.8	77.3	351.0
Additions to fixed assets	10.2	-	1.6	46.8	58.6
Transfers	4.8	-	4.6	(9.4)	-
Disposals	(3.5)	-	(14.2)	-	(17.7)
Revaluation during year	-	0.4	-	-	0.4
Gross valuation at 31 March 2009	169.6	3.2	104.8	114.7	392.3
Depreciation in value					
Balance at 1 April 2008	52.0	-	89.2	-	141.2
Charge for the year	2 10.1	-	9.2	-	19.3
Disposals	(3.5)	-	(14.2)	-	(17.7)
Balance at 31 March 2009	58.6	-	84.2	-	142.8
Net book value at 31 March 2009	111.0	3.2	20.6	114.7	249.5
Net book value at 31 March 2008	106.1	2.8	23.6	77.3	209.8

The Company's properties are revalued annually by the Director of TfL Group Property and Facilities and by suitably qualified staff. The historical cost of these properties is £2.4 million (2007/08 £2.4 million) and the historical net book value is £2.4 million (2007/08 £2.4 million).

11 Investments

	2009 £m	2008 £m
At 31 March	-	-

The Company owns 2 ordinary shares of £1 each in Dial-a-Ride Limited, a dormant company.

Notes to the Financial Statements

12 Stocks

	2009 £m	2008 £m
Raw materials and consumables	<u>0.1</u>	<u>0.2</u>

13 Debtors

	2009 £m	2008 £m
Trade debtors	6.0	4.2
Amounts due from Group undertakings	76.9	65.0
Prepayments and accrued income	<u>15.8</u>	<u>17.9</u>
	<u>98.7</u>	<u>87.1</u>

14 Creditors: amounts falling due within one year

	2009 £m	2008 £m
Trade creditors	3.9	6.8
Amounts due to Group undertakings	39.5	17.8
Other creditors including taxation and social security	1.6	1.5
Accruals and deferred income	<u>79.9</u>	<u>80.9</u>
	<u>124.9</u>	<u>107.0</u>

Notes to the Financial Statements

15 Creditors: amounts falling due after more than one year

	2009 £m	2008 £m
Receipts in advance	8.3	8.8
Amounts due to Transport for London	<u>121.7</u>	<u>82.4</u>
	<u>130.0</u>	<u>91.2</u>

The loan from Transport for London is repayable only after it has served notice, and a two year notice period is required. Transport for London has not served notice on the loans to date and hence the loans are classified as long term loans in the balance sheet.

16 Provisions for liabilities and charges

	At 1 April 2008 £m	Payments in the year £m	(Decrease)/ Increase in provision £m	At 31 March 2009 £m
Capital investment activities	0.2	-	-	0.2
Claims	2.0	-	(2.0)	-
Other provisions	<u>0.7</u>	<u>(0.1)</u>	<u>0.2</u>	<u>0.8</u>
	<u>2.9</u>	<u>(0.1)</u>	<u>(1.8)</u>	<u>1.0</u>

Capital investment activities are provided for at the directors' best estimate of the likely outcome.

Claims relate to a number of operational disputes relating to transport services operated under concession agreements.

Other provisions relate to voluntary severance, holiday pay, dilapidations and bus shelter rates.

Notes to the Financial Statements

17 Deferred income

	<i>Note</i>	2009 £m	2008 £m
Balance at 1 April		90.0	103.0
Capital grant received from Transport for London	6	0.9	-
Capital grant received from third parties	6	3.4	-
Released to the profit and loss account:			
- to meet the depreciation charge	2	(8.3)	(12.9)
- on disposal of tangible fixed assets	7	-	(0.1)
Balance at 31 March		86.0	90.0

18 Called up share capital

	2009 £m	2008 £m
Authorised		
1,000,000 ordinary shares of £1 each	1.0	1.0
Allotted, issued and fully paid up		
1,000,000 ordinary shares of £1 each	1.0	1.0

19 Reserves

	Profit and loss account £m	Revaluation reserve £m	Other reserve £m	Total £m
Balance at 1 April 2008	-	0.4	4.7	5.1
Revaluation uplift in year	-	0.4	-	0.4
Profit for the year	-	-	-	-
Balance at 31 March 2009	-	0.8	4.7	5.5

The other reserve arose on the transfer of group assets on commencement of trading.

Notes to the Financial Statements

20 Reconciliation of movements in total shareholders' funds

	2009 £m	2008 £m
Profit for the year	-	-
Revaluation of tangible fixed assets	0.4	-
Increase in shareholders' funds	0.4	-
Opening shareholders' funds	6.1	6.1
Closing shareholders' funds	6.5	6.1

21 Capital commitments

	2009 £m	2008 £m
In respect of contracts placed	72.1	67.4

22 Financial commitments and contingencies

a) Operating leases

Under the Government's PFI initiative, agreements have been entered into for the provision by the private sector of a new ticketing system. Given the substantial risks retained by the private sector, these transactions are accounted for as operating leases and the assets provided are, therefore, not included in the balance sheet. PFI costs totalling £17.1 million (2007/08 £17.8 million) have been charged to cost of operations.

The Company has also entered into operating leases in respect of motor vehicles. The total rental for 2008/09 included in the profit and loss account was £1.6 million (2007/08 £1.3 million). These lease agreements, which cover the cost of routine maintenance and repairs, are charged to the profit and loss account over the period of the lease.

The Company leases certain property on short-term and long-term leases. The rents payable on these leases in 2008/09 were £1.4 million (2007/08 £1.1 million). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Company pays for all insurance, maintenance and repairs of these properties.

Notes to the Financial Statements

22 Financial commitments and contingencies (continued)

a) Operating leases (continued)

The total estimated amount payable in the next year under property leases, PFI agreements (including related services) and other non-cancellable operating leases analysed by the period of expiry, is shown below:

	Land and buildings	PFI contracts	Motor vehicles	Land and buildings	PFI contracts	Motor vehicles
	2009	2009	2009	2008	2008	2008
	£m	£m	£m	£m	£m	£m
Within one year	0.2	-	0.1	0.1	-	0.2
Between one and five years	0.2	14.7	2.2	0.4	-	2.0
Thereafter	1.1	-	0.7	0.5	18.2	0.8
	<u>1.5</u>	<u>14.7</u>	<u>3.0</u>	<u>1.0</u>	<u>18.2</u>	<u>3.0</u>

b) Contingencies

A contractual dispute has arisen during the year. It is not possible to predict with any material certainty the result of the dispute, but the directors believe that the outcome will not have a material effect on the Company's financial position.

23 Related parties

The Company has had no material transactions during the year with related parties other than Group Companies. Under FRS 8 – 'Related Party Disclosures', the Company is exempt from disclosing transactions with other Group undertakings.

24 Ultimate holding company

London Bus Services Limited is a wholly owned subsidiary of Transport Trading Limited, a company controlled by Transport for London, which is the company's ultimate parent.

Copies of Transport for London's accounts are available from Windsor House, 42-50 Victoria Street, London, SW1H 0TL.